

Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact:

Telephone Number:

Refer Reply to:

Date: MAY 01 1986

Gentlemen:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

From the information submitted, it appears that your organization was formed under By-laws on [REDACTED].

Your organization's purpose is stated in Article I section 1.01 of its By-laws, that provision reads as follows: "Section 1.101 Objects. The object of the association shall be to promote the general business interests of the merchants in the Center and in furtherance of such object, to engage in and conduct promotional programs and publicity, special events, decoration, cooperative advertising and other joint endeavors in the general interest and for the general benefit of merchants in the Center".

Your organization is a membership organization. Your membership requirements are summarized in Form 1024 Part III, 7. That summary reads as follows: "Must be shop owner in [REDACTED]".

From the information submitted, it appears that you conduct meetings for your members and sponsor advertising to promote [REDACTED]. It appears that your primary activity is advertising.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Federal Income Tax Regulation 1.501(c)(6)-1 defines the term "business league". That provision reads, in part, as follows: "A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest....It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

Rev. Rul. 73-411, 1973-2 C.B. 180, held that a shopping center merchants association whose membership consisted of the tenants of a specific shopping center and their common lessor, was not entitled to exemption under section 501(c)(6) because it was not a business league, within the meaning of section 501(c)(6).

Rev. Rul. 64-315, 1964-2 C.B. 147, held that shopping center merchants association that sponsored advertising to attract business to the shopping center was not entitled to exemption under section 501(c)(6). The organization was engaged in providing "particular services" for its members.

Your organization is a shopping center merchants association. You sponsor advertising to promote a shopping center. You are not entitled to exemption under section 501(c)(6) of the Internal Revenue Code because you are not a business league and because you provide "particular services" for your members.

You are required to file Federal income tax returns annually, with your District Director.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

Sincerely yours,

District Director